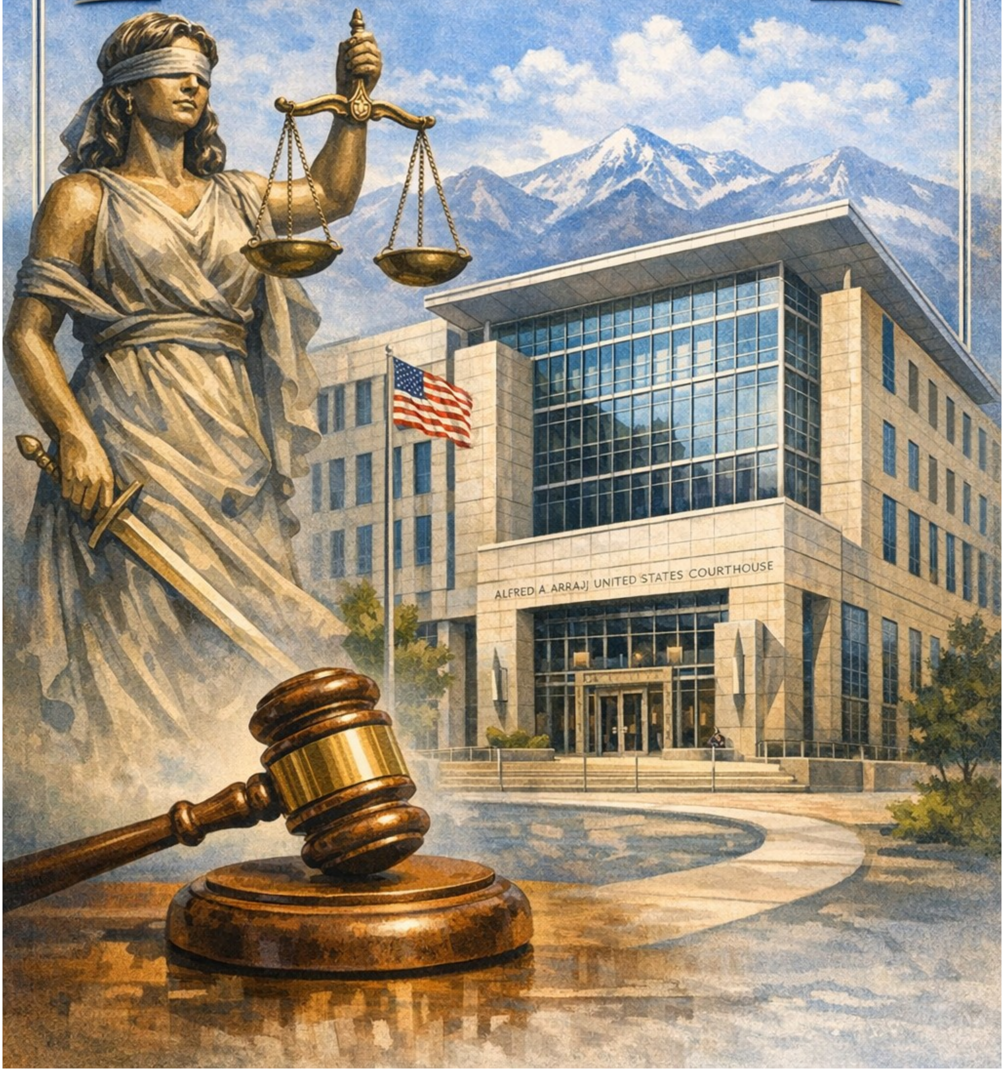
Everything You Need to Know About BANKRUPTCY IN COLORADO

Updated for 2026 • A. Bradley Goodman, Attorney at Law



EVERYTHING YOU NEED TO KNOW ABOUT BANKRUPTCY IN COLORADO

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I. Why Should I Declare Bankruptcy?

Bankruptcy is not something to take lightly, but if you're drowning in debt and see no way out, it can be a lifeline. Most people file bankruptcy because they're overwhelmed by bills, creditor calls, or legal actions like wage garnishment or foreclosure. Bankruptcy can stop these actions and give you a fresh start.

There are two main types of bankruptcy for individuals: **Chapter 7** and **Chapter 13**.

- **Chapter 7** is called a "liquidation" bankruptcy. It wipes out most unsecured debts (like credit cards and medical bills) in exchange for giving up non-exempt property. Most people keep all their belongings because Colorado's exemption laws protect essential assets like your home, car, and personal items.
- **Chapter 13** is a "repayment plan" bankruptcy. It lets you keep your property while paying back some or all of your debts over 3 to 5 years. This is useful if you have assets that exceed Colorado's exemption limits or if you need to catch up on missed mortgage or car payments.

Which one is right for you? It depends on your income, assets, and the types of debt you have. A bankruptcy attorney can help you decide.

II. What Is a Discharge in Bankruptcy?

A **discharge** is a court order that wipes out your legal obligation to pay certain debts. Once you receive a discharge, creditors can no longer try to collect those debts from you. This means no more calls, letters, or lawsuits for discharged debts.

Important Note: A discharge does **not** eliminate liens on property. For example, if you have a mortgage or car loan, the lender can still repossess the property if you don't pay, even after bankruptcy.

III. How Do I Get My Discharge?

In most cases, you'll automatically receive a discharge if no one objects. Here's how it works:

- **Chapter 7:** You'll usually get your discharge about **4 to 5 months** after filing, assuming no complications.
- **Chapter 13:** You'll get your discharge after completing all payments under your repayment plan, which typically takes **3 to 5 years**.

The court will mail you a copy of the discharge order. This document is proof that your debts have been wiped out.

IV. Are All of My Debts Discharged or Only Some?

Not all debts can be wiped out in bankruptcy. Here are the most common types of debts that **cannot** be discharged:

- Child support and alimony
- Most student loans
- Recent tax debts (usually less than 3 years old)
- Debts for personal injuries caused while driving under the influence
- Fines or penalties owed to government agencies
- Debts you forgot to list in your bankruptcy papers
- Debts for fraud or willful injury to someone else

Chapter 13 allows for a broader discharge than Chapter 7, but some debts (like student loans and child support) still can't be wiped out.

V. Do I Have the Right to a Discharge or Can Creditors Object?

In **Chapter 7**, creditors or the bankruptcy trustee can object to your discharge if they believe you've committed fraud, hidden assets, or lied on your bankruptcy forms. This is rare, but if it happens, you may need to defend yourself in court. It is not covered by the fee charged for a "simple" Chapter 7 bankruptcy.

In **Chapter 13**, you're entitled to a discharge as long as you complete your repayment plan. Creditors can object to your plan, but not to the discharge itself.

VI. Can I Receive a Second Discharge in a Later Chapter 7 Case?

You can't file for Chapter 7 again if you received a discharge in a previous Chapter 7 or Chapter 11 case within the past **8 years**. If you filed Chapter 13, you must wait **6 years** before filing Chapter 7, unless you paid back all your unsecured debts in the Chapter 13 case.

VII. Can the Discharge Be Revoked?

A discharge can be revoked if the court finds that you committed fraud, hid assets, or failed to disclose important information. This usually must be requested within **1 year** of the discharge.

VIII. May I Pay a Discharged Debt After the Bankruptcy Case Has Been Concluded?

Yes! Bankruptcy wipes out your **legal obligation** to pay, but you can still choose to repay a debt if you want to.

IX. What Can I Do If a Creditor Attempts to Collect a Discharged Debt After the Case Is Concluded?

If a creditor tries to collect a discharged debt, first **contact them** and remind them of your bankruptcy discharge. If they continue, send them a copy of your discharge order by certified mail. If they still don't stop, your attorney can ask the court to hold them in contempt of court. This may result in fines or other penalties.

X. Can My Employer Terminate Employment Solely Because I Failed to Repay a Debt?

No. Federal law prohibits employers from firing you just because you filed for bankruptcy. However, private employers can still consider your credit history when making hiring decisions.

XI. Background Information – Chapter 7

Chapter 7 is designed to give honest debtors a **fresh start** by wiping out unsecured debts. In exchange, you may have to give up some non-exempt property, which the bankruptcy trustee will sell to pay your creditors. Most people keep all their property because Colorado's exemption laws protect essential assets.

Who can file?

- Individuals, married couples, businesses, and partnerships.
- You must pass a **means test** to qualify, which compares your income to Colorado's median income.

XII. How Chapter 7 Works

1. **File a Petition:** You (or your attorney) file a petition with the bankruptcy court, along with schedules listing your debts, assets, income, and expenses.
2. **Automatic Stay:** Filing triggers an **automatic stay**, which stops creditors from calling, suing, or garnishing your wages.
3. **Trustee Review:** A bankruptcy trustee reviews your case to determine if you have any non-exempt assets to sell.
4. **341 Meeting:** You attend a short hearing (usually by Zoom) where the trustee and creditors can ask you questions about your finances.
5. **Discharge:** If no one objects, you'll receive your discharge in about **4 to 5 months**.

XIII. What Happens After Filing?

Once you file, the **automatic stay** goes into effect immediately. This means:

- Creditors **must stop** calling, suing, or garnishing your wages.
- Foreclosures and repossessions are **temporarily halted**.
- You'll receive a notice with the date of your **341 Meeting of Creditors** (usually 4 to 6 weeks after filing).

XIV. To What Exemptions Am I Entitled?

Colorado law allows you to keep certain property by claiming **exemptions**. Here are the most important exemptions as of 2026:

Type of Property	Exemption Amount
Homestead (Primary Home)	$250,000 (or $350,000 if you're 60+ or disabled)
Vehicle(s)	Up to $15,000 in equity per vehicle (up to 2 vehicles)
Household Goods	$6,000 total (e.g., furniture, appliances, clothing)
Jewelry	$2,500
Tools of the Trade	$60,000 (for tools, equipment, and inventory used in your occupation)
Bank Accounts	$2,500
Retirement Accounts	Fully exempt (IRAs, 401(k)s, pensions)
Public Benefits	Fully exempt (Social Security, unemployment, veterans' benefits, public assistance)

Note: These amounts are per person. If you're married and filing jointly, you can often double these exemptions.

XV. Do I Need to Attend a Hearing?

Yes. You must attend a **341 Meeting of Creditors**, usually held about **4 to 6 weeks** after you file. This meeting is conducted by the bankruptcy trustee, who will ask you questions under oath about your finances. Creditors can attend but rarely do.

Since the COVID-19 pandemic, these meetings are usually held **online via Zoom**. You'll need:

- A government-issued ID (driver's license or passport)
- Your Social Security card
- Proof of income (pay stubs, tax returns)

Do not miss this meeting! If you don't attend, your case could be dismissed. At the very least, you will be required to pay additional fees to reschedule a new hearing.

XVI. What Is the Role of the Case Trustee?

The **bankruptcy trustee** is a court-appointed official who oversees your case. Their job is to:

1. Review your bankruptcy forms for accuracy.
2. Identify and sell any non-exempt property to pay your creditors.
3. Conduct the **341 Meeting** and ask you questions under oath.
4. In **Chapter 13**, review and administer your repayment plan.

Most Chapter 7 cases are **"no-asset" cases**, meaning you don't have any non-exempt property for the trustee to sell.

XVII. What Is a Bankruptcy Discharge?

A **discharge** is a court order that permanently wipes out your legal obligation to pay certain debts. Once discharged, creditors can no longer try to collect those debts from you.

What debts are wiped out?

- Credit card debt
- Medical bills

- Personal loans
- Utility bills
- Most other unsecured debts

What debts are NOT wiped out?

- Child support and alimony
- Most student loans
- Recent tax debts
- Debts for fraud or willful injury

XVIII. Dealing with Your Attorney

A. Paying Attorney's Fees

Bankruptcy attorneys charge fees for their services. While it may seem ironic to pay for help when you're broke, think of it as an investment: paying $1,200 to wipe out $50,000 in debt, for example, is a **fantastic return on investment.**

How to pay:

- Cash, money order or cashier's check
- Bank transfers (Zelle, PayPal BUT DO NOT USE YOUR CREDIT CARD, even inside Paypal. If you use a credit card, you may be accused of bankruptcy fraud)
- **Mr. Goodman does not accept credit cards or personal checks in bankruptcy cases** (to avoid fraud risks)

B. Phone Calls

Attorneys can't take endless calls, but it is understandable that you will want to make a few calls. This office allows 4 free calls (up to 10 minutes) during the course of your case. After that, you may be charged a fee (e.g., $25 per 10 minute call). Call only about legal matters. Don't call to talk about boyfriends, neighbors you don't particularly like, etc. If you have a new legal matter to discuss, such as an auto accident or worker's compensation case, there is never any charge to talk about the new legal case.

C. Dress for Court

Even though hearings are now online, **dress neatly.** Act as if you're going to church or a job interview.

D. Changes and Amendments

If you forget to list a creditor or need to change something, your attorney will have to file an **amendment to add them**. This costs extra. Both your attorney AND the court will charge you extra attorney's fees and filing fees, respectively, because it involves extra work. So, please, **double-check your paperwork** before filing! That said, if you omitted a significant creditor, it is worth it to amend you petition to include that creditor.

E. The 341 Hearing

Don't miss it! If you do, your case could be dismissed.

F. Foreclosure & Repossession

Bankruptcy can **delay** foreclosure or repossession, but it won't stop it permanently unless you catch up on payments. It is impossible to determine how long you will have, so expect a worst case scenario, and a minimum amount of time. Make alternate arrangements immediately.

G. Eviction

Bankruptcy can **temporarily stop** eviction, but you'll still need to pay rent or move out.

H. Forgetting to List a Creditor

If you forget a creditor, **tell your attorney immediately**. If the creditor isn't notified, that debt **won't be discharged**.

I. Creditors Acquired After Filing

You **can't** discharge debts for creditors you borrowed from **after** filing bankruptcy.

J. Reaffirmation Agreements

A **reaffirmation agreement** means you agree to keep paying a debt (like a car loan) after bankruptcy. **Be cautious!** If you can't pay later, the creditor can repossess the property **and** sue you for the balance.

K. How Do I Find a Lawyer?

Look for someone **honest, reliable, and experienced** in bankruptcy. Avoid anyone who promises to help you hide assets or cut corners—this can get you in serious trouble!

L. How Much Do You Charge for a Bankruptcy?

Fees vary, but most attorneys offer **flat rates** for simple Chapter 7 cases. Always ask for a written fee agreement. Our fees are listed on the website: https://abgoodmanlawfirm.com/fees

M. Do You Take Credit Cards or Personal Checks?

No. Payment must be in cash, money order, or bank transfer.

N. Can I Make Payments?

Most attorneys require **full payment upfront**, but some may allow a payment plan if you pay a deposit (e.g., $400) first.

XIX. Liens

A **lien** is a legal claim on your property by a creditor. Common examples:

- **Mortgages** (on your home)
- **Car loans** (on your vehicle)
- **Judgment liens** (from lawsuits)

Can liens be removed in bankruptcy?

- **Purchase money liens** (like mortgages or car loans) **cannot** be removed.
- **Judgment liens** on your home **can sometimes be removed** if they impair your homestead exemption.

Example: If your home is worth $400,000 and you owe $300,000 on the mortgage, your equity is $100,000. If a creditor has a $20,000 judgment lien, your attorney can ask the court to **remove it** because it cuts into your $250,000 homestead exemption. To do this, the attorney will need to file a "motion to avoid lien," which is a separate unique proceeding inside your bankruptcy case. This is not part of a "simple" bankruptcy. Extra fees must be paid.

XX. Is the Money in My Bank Account Exempt?

Up to $2,500 in your bank account is exempt. However, if you have more, the trustee may take the excess to pay creditors.

Tip: Before filing, spend down your bank account on **necessities** (food, medicine, rent) and keep the receipts to prove that your spending was on such items and was not frivolous.

XXI. Can I Keep My Tax Refund This Year?

Probably not. The bankruptcy trustee will likely take your tax refund if you file early in the year. If you receive a refund **after** filing, **do not spend it—** you may have to turn it over to the trustee.

Exception: If your refund is from the **Earned Income Tax Credit**, it may be protected.

XXII. Discharging Tax Debts

Most tax debts **cannot** be discharged, but there are exceptions:

1. The tax return was due **at least 3 years ago**.
2. You filed the return **at least 2 years ago**.
3. The IRS assessed the tax **at least 240 days before you filed**.
4. You didn't commit fraud or tax evasion.

Penalties may be dischargeable if they're **punitive** (not tied to actual tax owed).

Note: Employment taxes (like payroll taxes) **can never** be discharged.

XXIII. Will I Continue to Get Bills or Auto Bank Withdrawals on Items I Intend to Retain?

No. After filing, creditors must **stop** sending bills or making automatic withdrawals. However, if you want to keep the property (like a car), you **must keep paying**—even without reminders.

Tip: Set up calendar reminders for payments!

XXIV. Purchase Money Security Interests

If you bought something (like a car or furniture) on credit, the seller may have a **purchase money security interest** (PMSI). This means they can repossess the item if you don't pay, **even after bankruptcy**.

Example: If you financed a couch through a store credit plan, the store can repossess it if you stop paying—unless you **reaffirm** the debt (which we usually don't recommend).

Many car loan companies will allow you to keep the car even after you reject their request for a reaffirmation agreement, so long as your payments are current. But some will not. For example, Ford Motor Credit often insists on repossession unless you sign a reaffirmation agreement. Again, we advise against signing one because it defeats the purpose of your bankruptcy filing.

XXV. The Creditor's Meeting

This is the **341 Meeting**, a short hearing where the trustee asks you questions under oath. You'll need:

- **Government-issued ID** (driver's license or passport)
- **Social Security card**
- **Proof of income** (pay stubs, tax returns)
- **Bank statements**

Creditors rarely attend, but if they do, they can ask about your finances.

Since COVID-19, these meetings are usually held **online via Zoom**.

Footnotes

1. **Discharge in Bankruptcy:** 11 U.S.C. § 727 (Chapter 7); 11 U.S.C. § 1328 (Chapter 13).
2. **Non-Dischargeable Debts:** 11 U.S.C. § 523(a).
3. **Homestead Exemption:** Colo. Rev. Stat. § 13-54-102(1)(a) (2026).
4. **Vehicle Exemption:** Colo. Rev. Stat. § 13-54-102(1)(e) (2026).
5. **Household Goods Exemption:** Colo. Rev. Stat. § 13-54-102(1)(d) (2026).
6. **Automatic Stay:** 11 U.S.C. § 362.
7. **341 Meeting:** 11 U.S.C. § 341.
8. **Reaffirmation Agreements:** 11 U.S.C. § 524(c).
9. **Tax Debt Discharge:** 11 U.S.C. § 523(a)(1).
10. **Lien Avoidance:** 11 U.S.C. § 522(f).

Disclaimer

This pamphlet is for general **informational purposes only** and does **not** constitute legal advice. Bankruptcy laws are complex and change frequently. The information contained here may be out-of-date or inapplicable to your particular case. For advice tailored to your situation, **consult a licensed attorney**.

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